FY 2014

Santa Clara Valley Water District

Budget in Brief

Budget highlights:

- $471.9 million total operating and capital budget
- The capital budget is 51 percent ($241 million) of the total FY 2014 budget
- Capital-driven budget is largely a result of the passage of the Safe, Clean Water ballot measure
- Scheduled construction of 15 capital projects is expected to generate an estimated 1,900 to 3,800 local jobs
- Water rates increase by 9.4 percent, or an average of $2.00 per month in the North County, and by 3.4 percent, or an average of 34 cents per month in the South County, for a typical household
- Operating costs will increase by 3.9 percent, including the startup of the Silicon Valley Advanced Water Purification Center

Key deliverables:

- Launch Safe, Clean Water Program
- Complete construction of the multi-million dollar Silicon Valley Advanced Water Purification Center
- Complete the draft Environmental Impact Report/Statement for the Anderson Dam Seismic Retrofit Project
- Complete the planning study for the Calero and Guadalupe Dams Seismic Retrofit Project
- Complete the Feasibility Study for the South San Francisco Bay Shoreline
- Carry out $128 million in flood protection capital projects
- Remove 54,250 cubic yards of sediment
- Control 408 acres of upland vegetation (program total is 6,120 acres over 15 years)
- Manage over 600 acres of in-stream vegetation to provide flood protection in all five watersheds
- Maintain 90 percent of streams at capacity
- Implement Stream Maintenance Program
- Create Office of Ethics and Corporate Governance

District mission and services

I am proud to present the district's Budget in Brief for FY 2014. This document covers not only the budget but also our priorities and key deliverables for the upcoming year. With overwhelming passage of the Safe, Clean Water program, voters entrusted us to be effective stewards of vital public resources. As we continue to find cost savings, realize efficiencies, and innovate, all of us at the district remain committed to delivering services and programs of excellence for Silicon Valley and all the people we serve.

Beau Goldie

Chief Executive Officer

OUR MISSION

is to provide Silicon Valley safe, clean water for a healthy life, environment and economy.

Serving you since 1929

The Santa Clara Valley Water District serves nearly two million people in Santa Clara County by providing a safe and reliable supply of water; enhancing streams and watersheds through creek restoration and habitat protection; providing flood protection for homes, schools and businesses; and partnering with other agencies to provide trails, parks and open space for community recreation.

The district does this by effectively managing 10 dams and surface water reservoirs, imported water supplies, three drinking water treatment plants, an advanced water purification center, 143 miles of pipelines, three pumping stations, a state-of-the-art water quality laboratory, nearly 400 acres of groundwater recharge ponds, and more than 275 miles of streams.

The district provides wholesale water to 12 local municipalities and private water retailers, who, in turn, use our treated water and groundwater basins, along with other sources, to deliver drinking water directly to homes and businesses in the county.

To protect people and property from potential flooding, the district has invested more than $1 billion in large capital projects as well as annual stream maintenance efforts since the 1980s.

Maintaining healthy streams is essential to effective flood protection and water management, and the district continues to work to reduce toxins, contaminants and trash from our waterways.

Reliable, Clean Water

This includes:
- Ensuring dam safety and maintenance
- Acquiring local and imported water supplies
- Delivering high-quality drinking and recycled water
- Managing infrastructure
- Conserving water

Natural Flood Protection

This includes:
- Carrying out flood protection capital projects
- Maintaining stream capacity
- Inspecting and repairing assets, such as stream banks, levees, bypass channels and floodwalls

Water Resources Stewardship

This includes:
- Reducing effects of mercury in watersheds
- Stabilizing creek banks
- Removing trash from creeks
- Issuing environmental enhancements grants
- Increasing recreational access

FY 2014 budget

Budget overview

The FY 2014 capital-driven budget reinforces our commitment to focus on providing the core services that are critical to Santa Clara County communities and must be delivered without interruption.

The budget is comprised of $230.7 million in net operating outlays and $241.2 million in capital projects. It focuses on:

- Operating and maintaining the vast network and infrastructure necessary to transport, treat and deliver clean, reliable water
- Maintaining flood protection channels to protect communities
- Continuing to provide stream stewardship to safely transport stormwater and provide wildlife habitat

The $471.9 million budget is 65 percent higher than FY 2013, an increase that is driven by an aggressive capital improvement program to rehabilitate the aging infrastructure and projects to deliver clean, reliable water, maintain flood protection channels and provide stream stewardship.

The FY 2014 adopted budget funds 731 positions. Fifteen positions included in the FY 2013 adopted budget were deleted for FY 2014. This reduction saves the district approximately $1.8 million. Since 2008, the district has reduced its headcount by 14 percent, or 122 positions.

The actions that have been taken over the past several years have ensured that the organization is well situated to effectively deliver core services.

Water infrastructure investment needed

Like most urban water agencies, the future calls for major infrastructure investments. The investments are needed to maintain and manage an aging infrastructure, improve the seismic reliability of our dams, ensure water supply reliability and quality, and deliver major flood protection projects.

Over the next decade, the district will invest approximately $1 billion on critical infrastructure repairs to prevent major infrastructure breakdown and ensure a safe and reliable water system. These investments can only be fully realized with the support of federal and state resources.

District at a glance

Cities served: 15
Water retailers served: 12
Population served: 2 million residents and commuters
Budget: $471.9 million
Water used in the county: Approximately 356,000 acre-feet (AF)* in 2012
Water imported: 201,000 AF in 2012
Water saved through conservation efforts: 54,200 AF in 2012
Groundwater recharged: 97,000 AF in 2012
Reservoirs: 10, combined capacity of 169,000 AF
Treatment plants: 3, delivered 138,000 AF in 2012
Advanced water treatment plant: 1, opening in 2013
Pumping plants: 3
Miles of pipelines: 143
Miles of streams maintained: 275
Parcels removed from floodplain: Nearly 100,000 since 1980s
Mercury removed from waterways: More than 4,200 pounds since 2000
Acres of wildlife habitat restored since 2001: 609

**An acre-foot is about 326,000 gallons, the amount two families of five consume over a year.*

FY 2014 budget priorities

Managing infrastructure assets for reliability

From dams to treatment plants to pipelines, much of the district's infrastructure was built 50 to 60 years ago. This aging infrastructure must be properly maintained on an ongoing basis, repaired, replaced or renovated over time to ensure that these assets continue to reliably provide drinking water, provide flood protection and protect the environment.

The district's asset management program entails developing and implementing a systematic process to effectively manage its infrastructure over the long term and to get the most out of our water supply, flood protection and stream stewardship assets.

The asset management program is supported by the district's Five-Year Capital Improvement Program (CIP), which the board approved along with the FY 2014 budget. The Fiscal Year 2014-18 Capital Improvement Program includes 63 projects totaling $2.7 billion over the next five years. Approximately 28 percent of this amount, $757 million, is anticipated to be funded by outside sources through grants and cost-sharing partnerships. The program includes projects to repair, replace or upgrade water supply infrastructure, and new infrastructure projects. During this period, it is estimated that the district will award construction contracts worth $682 million, which is expected to generate or sustain between 6,800 and 13,500 jobs in the private sector.

Managing critical water infrastructure calls for major investments

The five-year CIP includes 33 projects for water supply improvements ($1.1 billion), 17 projects to increase flood protection ($946 million) and 9 environmental restoration, enhancement and mitigation projects ($120 million).

Among the projects continuing in FY 2014 are:

- Rinconada Water Treatment Plant Reliability Improvement project – $8.4 million allocated for the multi-year project that is estimated to cost $196 million.
- Five-year Pipeline Rehabilitation – $2.8 million allocated for the project that is estimated to cost $24.2 million and is scheduled to be completed in 2017.
- Pacheco Pumping Plant Adjustable Speed Drives Replacement – $286,000 for completion of the multi-year project which is expected to be completed within the previously estimated total project cost of $19.6 million. The plant is the largest district-operated pump station.
- Santa Teresa Water Treatment Plant Incompatible Materials project to comply with environmental regulation at the plant – $1.2 million. The total project cost is estimated to be $14 million.

For more information about the district's five-year CIP, visit valleywater.org/CIP.aspx.

Securing imported water to ensure adequate supplies

Since our local water resources are insufficient to meet all the water needs of our region, on average 55 percent of our water supply is imported, originating in the Sierra Nevada. Approximately 40 percent of this water is delivered through the Sacramento-San Joaquin Delta.

Reliable imported water supplies are essential to meet annual drinking water needs, as well as to sustain the county's groundwater basins, and to prevent recurrence of land subsidence and saltwater intrusion. Imported water supplies are critical to sustaining the county's economy.

FY 2014 budget priorities

The Delta transports 40 percent of our water supply

In addition to importing water, the district also manages water banking activities and negotiates water transfers, and annual exchanges to address potential water shortages.

However, existing Delta conditions threaten both Santa Clara County's water supply and the health of sensitive species that depend on the complex Delta ecosystem. Many existing levees are unstable and subject to failure from seismicity and floods; deteriorating water quality and environmental stressors contribute to increasing regulatory risk; and projections of altered hydrology and sea level rise due to climate change point to deteriorating water quality and increasing risks in the future. The budget allocation for imported water is $57.4 million.

For more information, visit valleywater.org/Services/Delta.aspx.

Ensuring safety of the dams

Recognizing the catastrophic nature of potential dam failure, dam safety continues to be one of the top district priorities. The program includes monitoring, maintenance and rehabilitation of the dams.

With greater understanding about seismic events, standards have evolved significantly since the dams were constructed in the 1930s and 50s. As a result, the district is conducting seismic stability evaluations of nine of its 10 dams. Evaluations of six dams, including Anderson Dam, have been completed. The evaluation of the final two will begin in FY 2014.

The FY 2014 budget includes:

- Anderson Dam Seismic Retrofit – Continue work on designing the dam seismic retrofits for public safety, operational flexibility and asset protection. In FY 2014, $14 million is allocated for the multi-year project estimated to cost $185 million.

- Calero and Guadalupe Dams Seismic Retrofit – Continue with planning for improvements to the Calero and Guadalupe dams. The FY 2014 budget allocation is $1.3 million, while the total project cost is estimated at $93 million.

For more information, visit valleywater.org/damsafety.aspx.

Anderson Reservoir is the largest of the 10 water district reservoirs, large enough to fit all the other nine reservoirs inside its area.

FY 2014 budget priorities

Ultraviolet light disinfection process

High-tech facility to enhance recycled water quality

With the $68 million Silicon Valley Advanced Purification Center scheduled to complete construction and come online this year, the focus will shift to successfully operating the state-of-the-art facility to enhance recycled water quality and expand its usage in the county.

This facility, the largest advanced water purification plant in Northern California, takes treated wastewater that would have otherwise been discharged into the San Francisco Bay and purifies it by using three proven purification processes – microfiltration, reverse osmosis and ultraviolet light. The result is 8 million gallons a day of highly purified water that is expected to match California drinking water standards. The purification center is a partnership between the water district and the cities of San José and Santa Clara.

The highly purified water produced at the new purification center will be blended with the existing recycled water supply produced at the neighboring San José-Santa Clara Regional Wastewater Facility to enhance its quality and expand its usage via the South Bay Water Recycling system.

Total dissolved solids (TDS) are a good water quality marker and the key factor that non-potable recycled water users are concerned with. The highly purified water produced at the purification center will have an average TDS concentration of around 40 milligrams per liter. The addition of this purified water to recycled water will reduce the recycled water TDS levels from the current average of 750 ppm to the targeted 500 ppm, thus making a good product even better. This enhancement in water quality will allow for a wider use of recycled water for a variety of purposes, such as irrigation, commercial and industrial uses.

Besides enhancing the quality of recycled water, the project also creates a locally controlled, high quality water supply, increases water reliability by providing purified water at all times, even during droughts, helps reduce dependency on water from the Sacramento-San Joaquin Delta and protects the environment by reusing a precious resource.

The center will also demonstrate proven technologies to produce highly purified water that can be used for a variety of purposes, including potentially expanding Silicon Valley's future drinking water supplies.

For more information, visit valleywater.org/SVAWPC.aspx.

Environmental stewardship

Another important element of the district's mission is to provide water resources stewardship. This entails integrating stewardship in our operations and capital projects as well as protecting and restoring habitat.

Some of the significant stewardship projects for FY 2014 are:

- Managing 300 acres of revegetation along streams – $1.13 million
- Updating a hydrologic model of two creeks – $250,000
- Completing the Feasibility Study for the South San Francisco Bay Shoreline – $377,000
- Awarding grants from the Safe, Clean Water parcel tax for:
    - Pollution Prevention – $500,000
    - Support Volunteer Clean-Up Efforts – $200,000
    - Restore wildlife habitat – $1.8 million

For more information, visit valleywater.org/Services/HealthyCreeksandEcoSystems.aspx

Meeting our Safe, Clean Water commitments

In 2012, Santa Clara County voters approved the Safe, Clean Water and Natural Flood Protection (Safe, Clean Water) special parcel tax to fund projects addressing the following community priorities:

- Ensuring safe reliable water for the future;
- Reducing toxins, hazards and contaminants in our waterways;
- Protecting water supply and local dams from the impacts of earthquakes and natural disasters;
- Restoring fish, bird, and wildlife habitat; and
- Providing flood protection to homes, businesses, schools, streets and highways.

Safe, Clean Water builds on the success of the Clean, Safe Creeks and Natural Flood Protection (Clean, Safe Creeks) plan approved by the voters in 2000. Safe, Clean Water replaces the Clean, Safe Creeks measure in its entirety beginning July 1, 2013. The program will be funded by a combination of revenues from the continuation of an annual special tax, reserves from unspent funds of the Clean, Safe Creeks plan, and state and federal funding. The program includes a debt financing component that will help fund capital projects earlier in the program. Program funds will be used to meet remaining Clean, Safe Creeks plan commitments and to fulfill the community projects listed above. The Safe, Clean Water program allocations for this year are $37.5 million.

Some major capital flood protection projects include:

- San Francisquito Creek, San Francisco Bay to Searsville Dam
- Upper Penitencia Creek, Coyote Creek to Dorel Drive
- Berryessa Creek, Calaveras Boulevard to I-680 (needed for BART expansion)
- Permanente Creek, San Francisco Bay to Foothill Expressway
- Sunnyvale West Channel, Guadalupe Slough to Hwy 101

More information is available at valleywater.org/safecleanwater/.

Sandbags near San Francisquito Creek

Maintaining protection from flooding and emergency preparedness

Protecting homes, businesses and transportation networks from the devastating effects of floods is one of the main jobs of the district. Flood protection activities include both major construction projects and annual stream maintenance to maintain the water-carrying capacity of streams and channels, including the following:

- Removing over 600 acres of in-stream vegetation – $1.2 million
- Managing 408 acres of vegetation on upland property – $2.4 million (SCW provides 15 percent funding for the total program)
- Removing 54,250 cubic yards of sediment – $4 million (SCW provides 14 percent funding for the program)

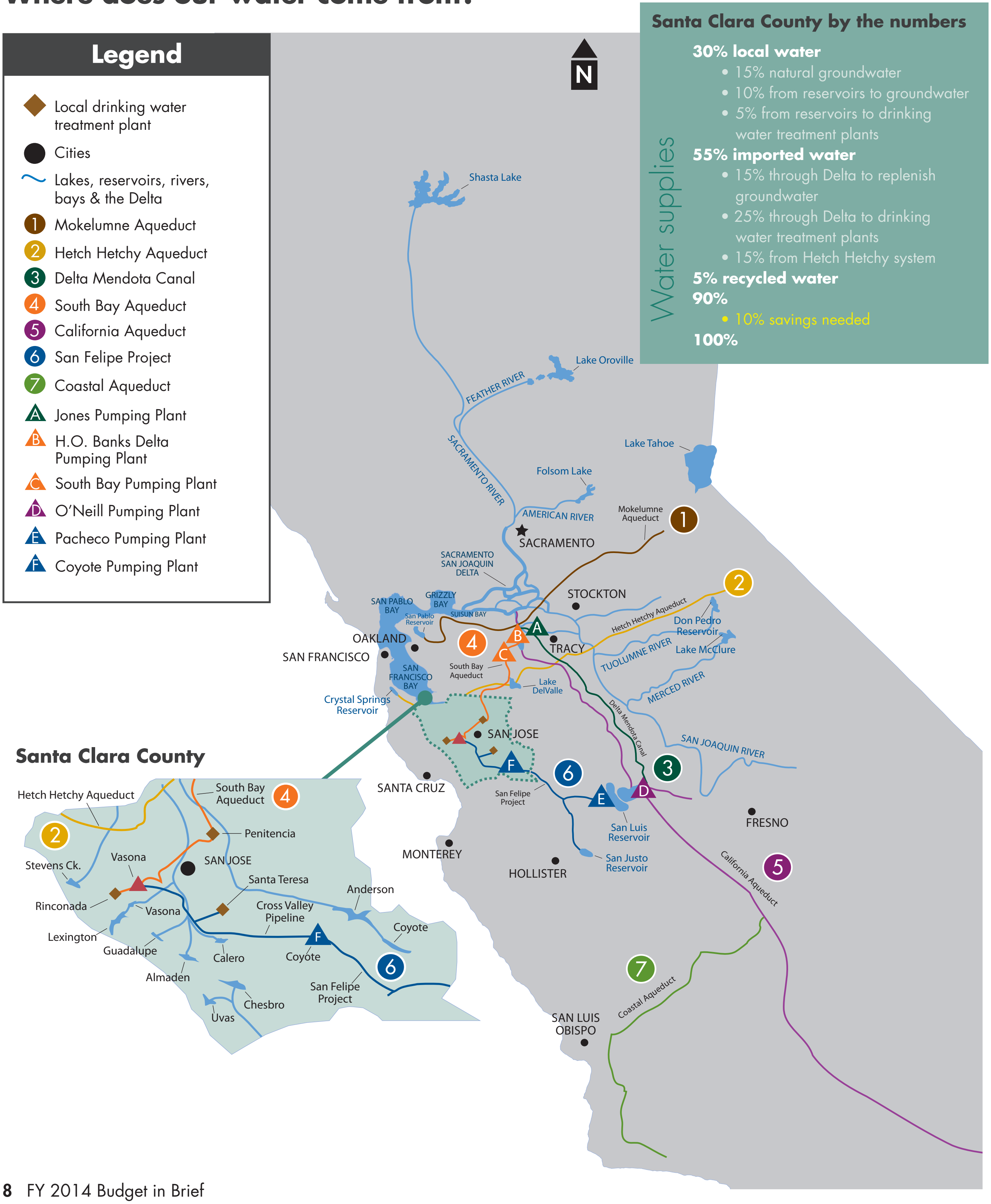
In addition to capital projects, flood protection also consists of ensuring that our creeks and channels operate at maximum efficiency. Using state-of-the-art tools to measure flood flow conveyance capacity and hydrological models, it can be determined whether our creeks and channels are moving water as designed.

Even though required standards are met, emergency preparedness and response continue to be major priorities. An automated flood warning system is being developed which will use real-time rainfall data to predict stream flows and potential flood risk.

Get more information at valleywater.org/services/FloodProtection.aspx.

An integrated water system

Where does our water come from?



Legend

- ◆ Local drinking water treatment plant
- ● Cities
- ~ Lakes, reservoirs, rivers, bays & the Delta
- ① Mokelumne Aqueduct
- ② Hetch Hetchy Aqueduct
- ③ Delta Mendota Canal
- ④ South Bay Aqueduct
- ⑤ California Aqueduct
- ⑥ San Felipe Project
- ⑦ Coastal Aqueduct
- A Jones Pumping Plant
- B H.O. Banks Delta Pumping Plant
- C South Bay Pumping Plant
- D O'Neill Pumping Plant
- E Pacheco Pumping Plant
- F Coyote Pumping Plant

Santa Clara County by the numbers

Water supplies

30% local water
- 15% natural groundwater
- 10% from reservoirs to groundwater
- 5% from reservoirs to drinking water treatment plants

55% imported water
- 15% through Delta to replenish groundwater
- 25% through Delta to drinking water treatment plants
- 15% from Hetch Hetchy system

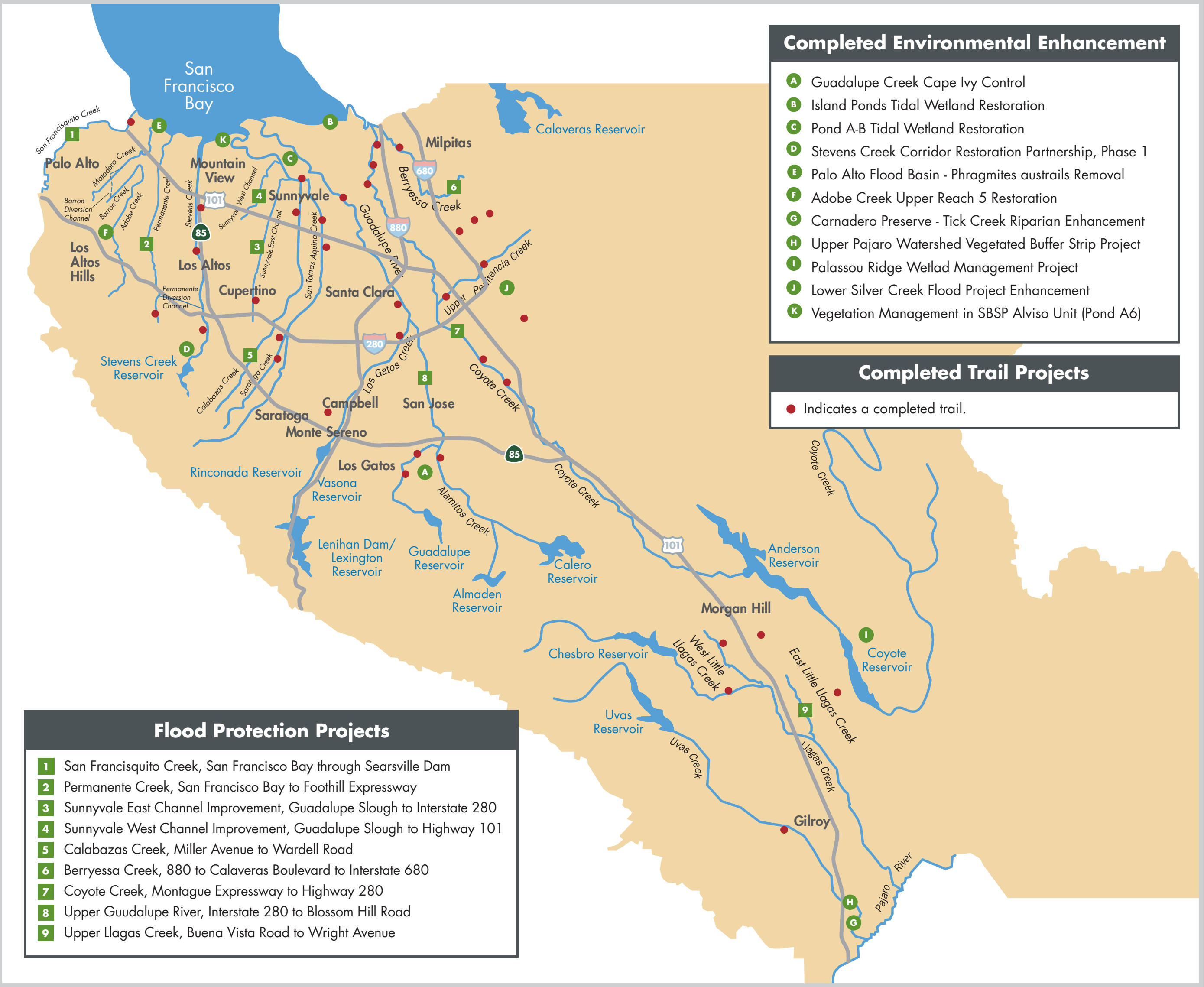
5% recycled water

90%
- 10% savings needed

100%

An integrated water system

Flood protection and stream stewardship projects



Completed Environmental Enhancement

- A Guadalupe Creek Cape Ivy Control
- B Island Ponds Tidal Wetland Restoration
- C Pond A-B Tidal Wetland Restoration
- D Stevens Creek Corridor Restoration Partnership, Phase 1
- E Palo Alto Flood Basin - Phragmites austrails Removal
- F Adobe Creek Upper Reach 5 Restoration
- G Carnadero Preserve - Tick Creek Riparian Enhancement
- H Upper Pajaro Watershed Vegetated Buffer Strip Project
- I Palassou Ridge Wetlad Management Project
- J Lower Silver Creek Flood Project Enhancement
- K Vegetation Management in SBSP Alviso Unit (Pond A6)

Completed Trail Projects

● Indicates a completed trail.

Flood Protection Projects

1. San Francisquito Creek, San Francisco Bay through Searsville Dam
2. Permanente Creek, San Francisco Bay to Foothill Expressway
3. Sunnyvale East Channel Improvement, Guadalupe Slough to Interstate 280
4. Sunnyvale West Channel Improvement, Guadalupe Slough to Highway 101
5. Calabazas Creek, Miller Avenue to Wardell Road
6. Berryessa Creek, 880 to Calaveras Boulevard to Interstate 680
7. Coyote Creek, Montague Expressway to Highway 280
8. Upper Guudalupe River, Interstate 280 to Blossom Hill Road
9. Upper Llagas Creek, Buena Vista Road to Wright Avenue

The district is one of a very few water agencies that manage water supply and flood protection, while providing stream stewardship. This is a great advantage as the district is best able to consider water supply impacts when altering a creek to provide flood protection, or consider impacts to the environment downstream as well as flood risks when operating water supply reservoirs.

Both district operations and capital projects can have either a negative or positive effect on the critical life cycle of plants and animals. By integrating environmental principles in all its water supply and flood protection decisions, the district is able to minimize the negative effects as well as help restore habitat through mitigation projects. In addition, the district carries out environmental enhancement projects that create or restore tidal or riparian wetlands.

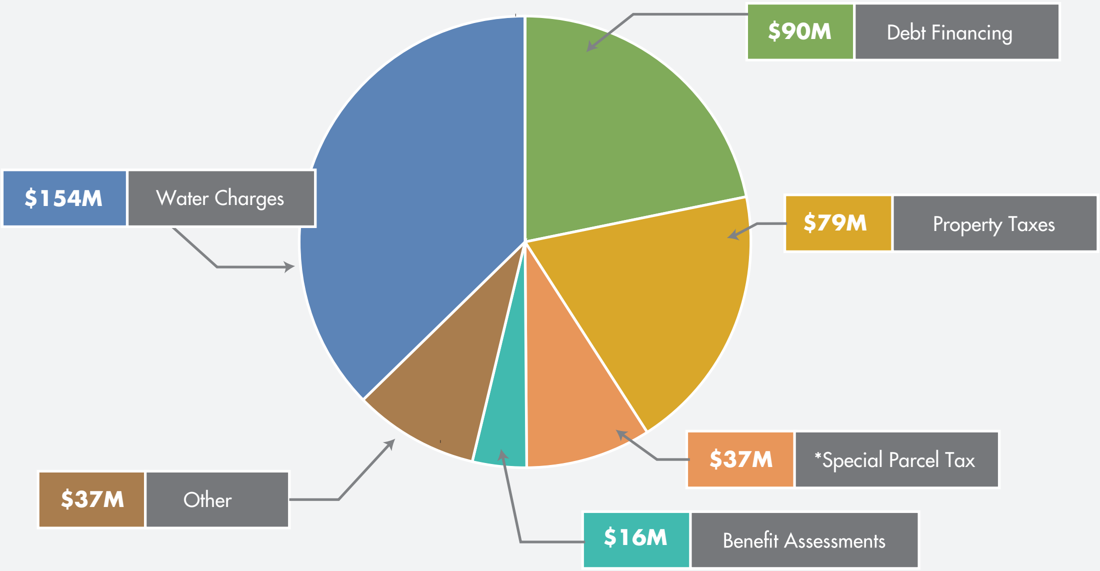
The map above shows some of the flood protection and the stream stewardship projects, including the Clean, Safe Creeks projects.

For more information, visit valleywater.org/Services/HealthyCreeksandEcoSystems.aspx.

District revenues

How is the district funded?

FY 2013-14 revenue and financing: $413 million



The district receives funding from a variety of sources. They include the sale of treated water, surface and recycled water; groundwater production charges; proceeds from ad valorem property taxes; Safe, Clean Water and Natural Flood Protection special parcel tax; benefit assessments that support financing for flood protection projects; interest earnings, cost-sharing agreements and grants.

The Special Parcel Tax*, which provides funding for Safe, Clean Water, will expire in 2028.

Bringing federal, state and local funds

The district aggressively pursues external funding to supplement its principal revenue. For example, since 2008, the district has received more than $32.8 million from state subventions through federally authorized projects with the U.S. Army Corps of Engineers for flood protection. Similarly since May 2013, the district had received more than $30.3 million in the federal American Recovery and Reinvestment Act (ARRA) stimulus funding.

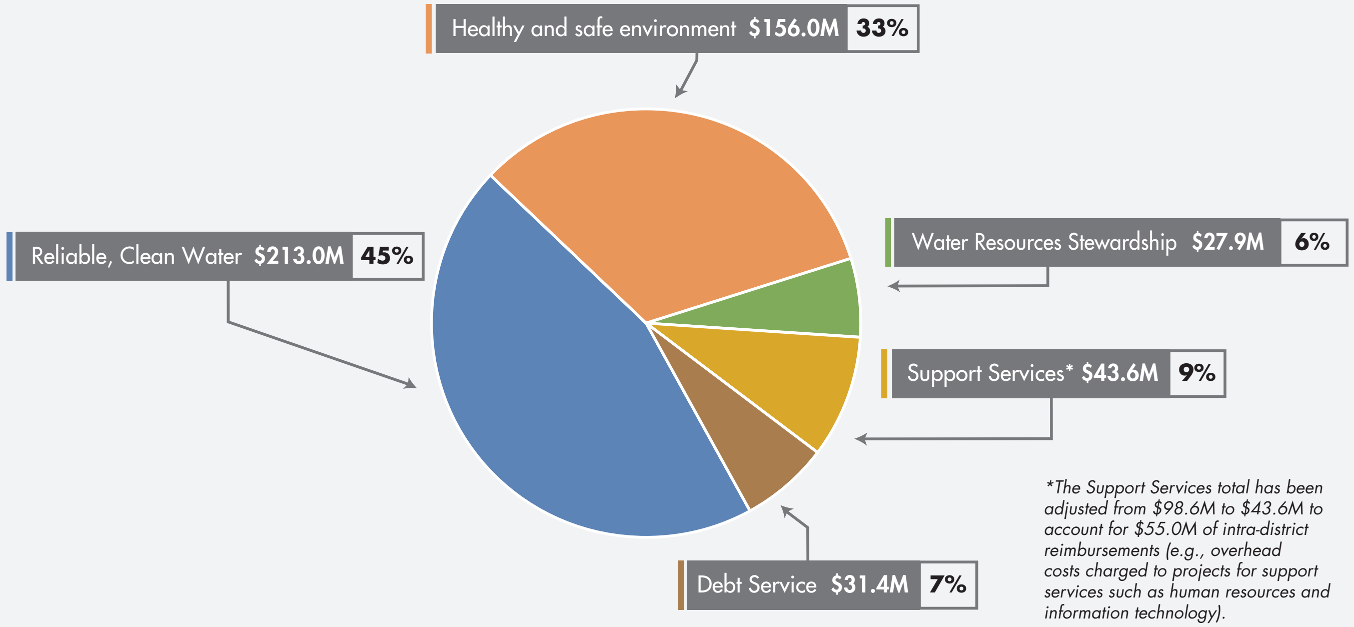
In FY 2014, the district is projected to bring in approximately $28.5 million in federal, state and local funds. Among the projects expected to receive external funding are:

- $15 million in federal and state funding for the Lower Silver Creek Project
- $7 million in state funding for the Guadalupe River Flood Protection Project
- $2 million in state funding for the Upper Llagas Flood Protection Project
- $2.5 million from the City of San José as cost sharing for the Silicon Valley Advanced Water Purification Center
- $1.1 million from United States Bureau of Reclamation for Recycled Water
- $720,000 from San Benito County for Pacheco Pumping Plant ASD replacement maintenance; San Felipe cable replacement; and small capital improvements
- $461,000 from the City of Morgan Hill for the Upper Llagas Creek Flood Protection project
- $64,000 in local funding for the Calabazas Creek project

District outlays

What does the FY 2014 budget pay for?

FY 2014 total outlays: $471.9 million*



**The Support Services total has been adjusted from $98.6M to $43.6M to account for $55.0M of intra-district reimbursements (e.g., overhead costs charged to projects for support services such as human resources and information technology).*

Budgeted activities carry out the district's mission as defined by our board of directors through district "ends," or outcome-related policies.

The three policies are:

- There is a reliable, clean water supply for current and future generations (Reliable, Clean Water).
- There is a healthy and safe environment for residents, businesses and visitors, as well as for future generations (Natural Flood Protection).
- There is water resources stewardship to protect and enhance watersheds and natural resources and to improve the quality of life in Santa Clara County (Water Resources Stewardship).

The chart above shows projected expenditures for each of the three areas for FY 2014, plus debt service and support services.

Debt service reflects the debt incurred to finance projects providing reliable, clean water, natural flood protection and water resources stewardship.
Support Services include governance and leadership; financial, legal, human and information system resources; and business assets. Support Services budget of $98.7 million in the chart above include $54.9 million funded by intra-district overhead reimbursements.

Reliable, Clean Water – $213 million
- Ensuring dam safety and maintenance
- Acquiring local and imported water supplies
- Delivering high-quality drinking and recycled water
- Managing infrastructure
- Conserving water

Healthy & Safe Environment – $156 million
- Carrying out flood protection capital projects
- Maintaining stream capacity
- Inspecting and repairing assets
- Administering Water Resources Protection Ordinance
- Managing the Stream Maintenance Program

Water Resources Stewardship – $27.9 million
- Meeting mitigation commitments
- Administering Environmental Enhancement Grants
- Stabilizing creek banks
- Removing trash from creeks
- Reducing effects of mercury in watersheds
- Administering trails and open space grants and joint use agreements

Financial stability and future planning

Reserves fund expected and unexpected infrastructure costs

Sediment removed from channels helps restore South Bay Salt Ponds.

Water utility is one of the most capital-intensive utility sectors. It is substantially more capital intensive than other regulated industries such as electric, gas, and telecom, and about 20 times more capital intensive than the Standard and Poor's 500, according to the 2009 Water Research Foundation report "Improving Water Utility Capital Efficiency."

Managing, maintaining and upgrading our county's complex and critical water system infrastructure requires long-term planning and large investments. To make these investments, or to meet any emergency, the district sets aside reserve funds.

Reserves are budgeted funds set aside for specific future costs, such as large capital projects or infrastructure refurbishments, or to meet any unexpected expense. Reserves provide a critical safety net to ensure that the district has the funds to meet its operational obligations in the normal course of business and in times of emergency.

"Restricted" reserves have legal, regulatory or contractual limitations, and may be spent for specific purposes only. "Committed" reserves do not have externally-imposed restrictions, but are designated for specific uses, such as capital construction, operations and maintenance activities, or to meet uninsured catastrophic losses.

For the Water Utility, reserves are budgeted at or slightly above minimums per the reserve policy in coordination with the water rate setting process. The minimum level of "Committed" reserves is equivalent to roughly three months worth of operations outlays.

For the Watershed Stream Stewardship fund, reserves are budgeted above the policy minimum which reflects an accumulation of cash to be spent in the next few years on planned flood protection and watershed stewardship projects. The minimum level of "Committed" reserves is equivalent to roughly six months worth of operations outlays which corresponds with the semi-annual nature of revenue receipts.

For the Safe, Clean Water Fund, reserves are budgeted above the policy minimum although reduced significantly from prior year due to a heavy capital budget in an effort to meet plan commitments as scheduled.

The district's reserve policy is reviewed annually in public session with our board of directors and ensures that reserves are used for their intended purposes. For the fiscal year ending June 30, 2014, the district's reserves are expected to decrease by $103.7 million to $163.6 million. The decrease is primarily due to a $176.3 million increase in capital outlays for Safe, Clean Water capital commitments.

Photo of a connection repair between South County and Anderson Reservoir, the largest surface water storage facility in the county.

Financial stability and future planning

Water charges raised to maintain and rehabilitate critical infrastructure

For FY 2014, the district board adopted a 9.3 percent increase (average of $2.00 per month per household) in the municipal and industrial groundwater production charge for the North County and a 3.4 percent increase (average of 34 cents per month) in the South County. The increases were necessary to cover operating cost increases and critical capital program needs, including dam seismic retrofits that will help ensure adequate water supply in the future.

The charges vary between the two water utility zones—Zone W-2 for North County and Zone W-5 for South County—because the two zones are substantially separate and distinct with entirely different costs of providing service.

The North County, which overlays the Santa Clara groundwater subbasin, north of Metcalf Road, is densely populated and has more infrastructure, including three drinking water treatment plants, to serve mostly municipal and industrial water needs.

The South County, which overlays the entire Llagas groundwater subbasin from Metcalf Road south to the Pajaro River, is more sparsely populated. It relies on groundwater to serve roughly 50 percent agricultural and 50 percent non-agricultural water needs. Although no treated water is produced in South County, it receives imported water to recharge the groundwater subbasin.

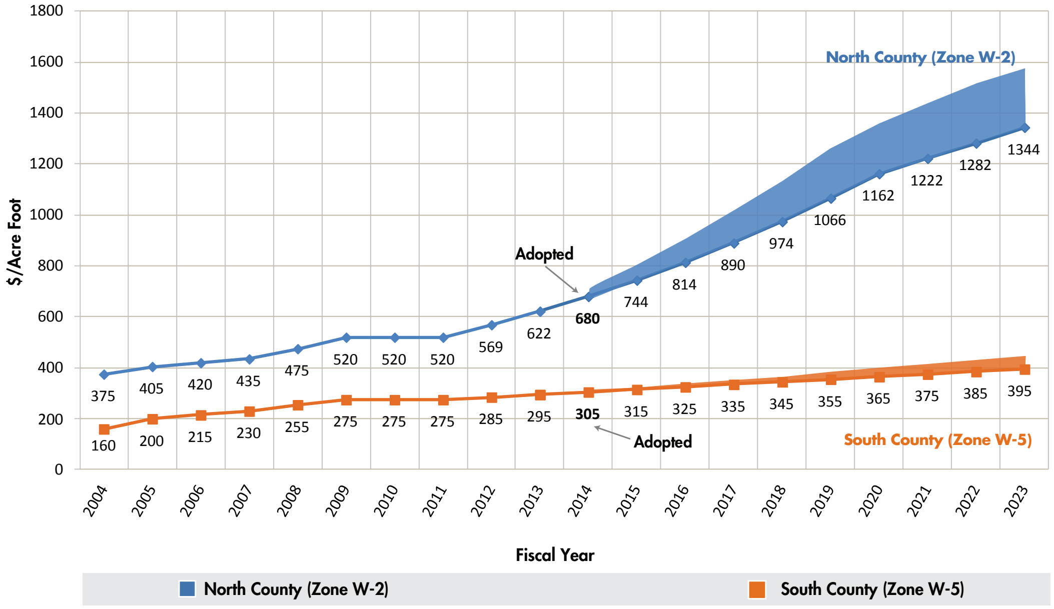
The latest increases in charges are critical to carry out infrastructure repair and replacement projects and fund essential operations, such as operating an extensive water-supply system, importing water and running and maintaining water treatment plants, to ensure an uninterrupted supply of water.

Many of the district's reservoirs are currently under storage restrictions because the dams are not seismically safe. Similarly, some of the pipelines, valves and treatment plant equipment are nearing the end of their useful life and must be replaced.

In addition, the Silicon Valley is heavily dependent on imported water delivered through the Delta, which is in ecological decline and threatens key fish species and water supply reliability. To reduce our reliance on the Delta, the district is making significant investments to expand the use of locally sourced recycled water.

Costs are also rising because of increasingly stringent drinking water regulations that make it necessary to invest in new treatment technologies.

Groundwater production charges for municipal and industrial uses



The lower end of the ranges (line immediately below the shaded areas) represents the adopted groundwater projection charges for FY 2013-14 and projected for FY 2015-2019. The corresponding future trajectory is based on the assumption that operating services will either continue at or below the level budgeted in FY 2014. The high end of the range (line immediately above the shaded areas) represents the groundwater production charges required to fund all the operations and capital projects identified by water utility staff to meet the board's Ends Policies over the next few years. Future uncertainties could result in the identification of additional capital or operations projects that are not reflected in the high end of the range.

Value of water

Groundwater: Investing in reliability

Groundwater is the foundation of our water supply, meeting about 40 percent of the demand. Approximately 160,000 AF of groundwater is pumped by local water retailers and private well owners each year.

Local communities have relied on groundwater since the 1850s, but excessive pumping in the early 1900s led to overdraft and land subsidence, causing the land to sink. As the graph above shows, the groundwater decline was briefly halted after the district constructed reservoirs to capture more local water and recharge the groundwater basin. However, the explosive post-WWII growth combined with a major drought from 1940-46, put a severe strain on the local water resources.

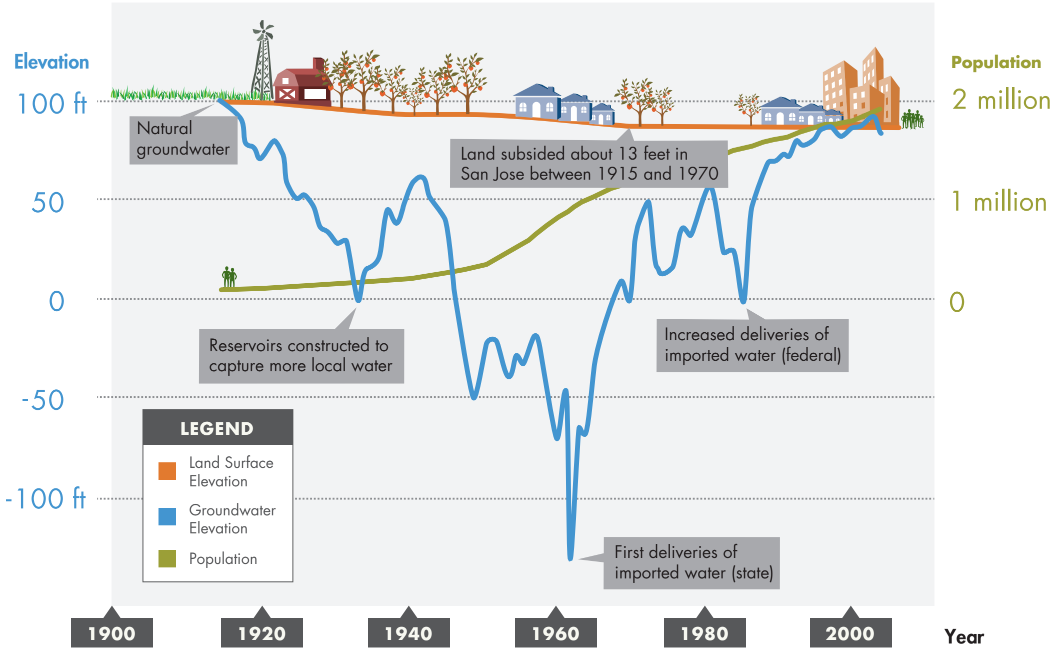
This trend was halted in 1969, a result of the district actively managing the groundwater to replenish the aquifer with local and imported water. The program includes management and operation of dams, pipelines and recharge ponds. On average, the district's recharge program replenishes twice the amount of water replenished naturally.

The district's treated water deliveries and water conservation and recycling programs also help protect groundwater by reducing the amount of water that needs to be pumped.

In addition, the district monitors and protects groundwater quality by sampling a number of deep wells throughout the county. It also ensures wells are properly constructed and sealed, conducts technical studies, and works with regulatory and land use agencies to prevent or minimize contamination. The vast storage capacity in groundwater basins also serves as protection against droughts. It allows the district to store excess water in wet years for use during droughts. Recharging and monitoring groundwater also prevents saltwater intrusion in the north part of the county.

Active management of groundwater is vital to protect against groundwater overdraft, land subsidence, and salt water intrusion. With the extensive infrastructure in place today, even a small amount of subsidence would be financially devastating.

Get more information at valleywater.org/Services/Groundwater.aspx.



A graphic representation not intended as a technical exhibit.

Value of water

A Gallon of **TAP WATER**

less than a cent

A Gallon of*

$6.25

A Gallon of*

$30.75

A Gallon of*

$3.75

A Gallon of*

$3.60

*(*Prices based on California averages.)*

Tap water – a true bargain

In Santa Clara County, on average, a gallon of tap water costs less than a cent. It is a true bargain considering the large infrastructure, the energy and expertise it takes to treat and provide safe and clean water 24 hours a day, 365 days a year. When compared with the cost of other products we use every day, tap water is clearly one of the best deals around.

Wholesale agency rate comparison

Wholesale Agencies	FY 2013	FY 2014	
SCVWD North W-2 (Groundwater production per AF)	$622	9.3%	Adopted
SCVWD North W-2 (Treated Water per AF)	$722	8.0%	Adopted
SCVWD South W-5 (Groundwater production per AF)	$295	3.4%	Adopted
Metropolitan Water District (Treated Water per AF)[1]	$949	5.0%	Adopted
Metropolitan Water District (Untreated Water per AF)[1]	$695	5.0%	Adopted
Orange County Water District (Groundwater per AF)	$266	3.7%	Adopted
San Diego County Water Authority (Treated Water per AF)[1]	$1,343	3.5%	Proposed
San Francisco Public Utilities Commission (Treated Water per AF)[2]	$1,276	-16.4%	Adopted
Zone 7 Water District (Treated Water per AF)[1]	$945	2.7%	Adopted

[1] MWD, SDCWA and Zone 7 rates are based on a calendar year. (i.e. 2014 rate would be effective on 1/1/2014)

[2] SFPUC rate change includes reduction for BAWSCA debt prepayment (new BAWSCA surcharge not reflected in FY 14 SFPUC rate)

From left to right: Directors Tony Estremera, Dennis Kennedy, Barbara Keegan, Richard P. Santos, Nai Hsueh, Brian A. Schmidt, Linda J. LeZotte

Nai Hsueh
Chair
District 5

Tony Estremera
Vice Chair
District 6

Dennis Kennedy
District 1

Barbara Keegan
District 2

Richard P. Santos
District 3

Linda J. LeZotte
District 4

Brian A. Schmidt
District 7

Governance and Board of Directors

Pursuant to the District Act, the district's board of directors governs the district (California Water Code, Chapter 60, Water Code Appendix, §§ 1-35) and directs the CEO and board-appointed officers. The board is composed of seven members; each elected from equally populated jurisdictions drawn through a formal process. Board members serve overlapping four-year terms and elect a new chair and vice-chair annually.

The board holds regular public meetings and special board meetings, as needed. Board agendas and supporting materials are posted 10 days in advance, providing the public sufficient notice. The board meetings are also broadcast on the internet and are accessible in a web archive. In fact, the district is the only Northern California water agency that broadcasts its board meetings.

How to find out more

Interested in learning more about the Santa Clara Valley Water District, our finances and our budget? Just visit www.valleywater.org, and click on "About Us." You'll find financial information, including the adopted FY 2014 budget.

For questions on the district's financial planning and budget, contact Najon Chu, Chief Financial Officer at (408) 630-2208.

Stay in touch!

/scvwd

/valleywater

/valleywater

to get eNews, e-mail info@valleywater.org

save20gallons.org

© 2013 Santa Clara Valley Water District, PUB 100 - RB/JL, July 2013